

## Message Text

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PAGE 01 BAGHDA 00919 080925Z

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ACTION NEA-07

INFO OCT-01 ISO-00 SS-14 SP-02 INR-05 PM-03 L-01 EB-03

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R 030825Z SEP 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 2320

C O N F I D E N T I A L BAGHDAD 919

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3.O. 11652: GDS

TAGS: PFOR, US, IZ

SUBJECT: US-IRAQI ISSUES: (III) OIL

REF: A) BAGHDAD 896 B) BAGHDAD 898 C) BAGHDAD 900

1. SUMMARY: AFTER PALESTINE AND ARMS, OIL RANKS THIRD AMONG THE LEADING ISSUES BETWEEN THE US AND IRAQ. FORTUNATELY, IT IS MORE TRACTABLE AND LESS INFLAMMATORY THAN OTHER TWO, AND IF IT IS POSSIBLE FOR US TO RESPOND POSITIVELY TO RECENTLY EXPRESSED GOI INTEREST IN EXPANDING OIL EXPORTS TO US, IT IS ONE AREA IN WHICH LIMITED PROGRESS MAY BE POSSIBLE WITHOUT REFERENCE TO FIRST TWO ISSUES. END SUMMARY.

2. A US DIPLOMAT STATIONED IN BAGHDAD IS PROBABLY FACED BY MORE DIFFICULTIES IN GAINING HARD INFORMATION ON IRAQI OIL PRACTICE THAN ANYONE IN BEIRUT OR WITH ACCESS TO DATA FROM THE US MAJOR. OIL IS CONSIDERED HIGHLY "POLITICAL" BY ALL RESPONSIBLE IRAQI MINISTRIES AND IT IS NOT A TOPIC IN REGARD TO WHICH US DIPLOMATIC ENQUIRY IS EVER WELCOMED. IT IS OBVIOUS, HOWEVER, (SEE, FOR EXAMPLE, MIDDLE EAST ECONOMIC SURVEY FOR AUGUST 15, 1975) THAT IRAQ CONTINUES TO REGARD US AS SCHEMING IN SEASON AND OUT OF SEASON FOR WAYS TO BREAK OPEC CARTEL AND TO REESTABLISH INTERNATIONAL MARKET ECONOMY IN OIL. NONETHELESS, CONFIDENTIAL

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PAGE 02 BAGHDA 00919 080925Z

IT IS IMPOSSIBLE TO BELIEVE THAT THIS ISSUE ALONE IS SUFFICIENT

TO PREVENT RESUMPTION OF DIPLOMATIC RELATIONS.

3. A POSSIBLE OPENING FOR US INITIATIVES IN THIS AREA CAME TO LIGHT DURING RECENT VISIT TO BAGHDAD OF ALLIS-CHALMERS CHAIRMAN DAVID SCOTT. RECOMMEND DEPARTMENT DISCREETLY SOUND SCOTT OUT ON FOLLOWING WHICH HE TOLD USINT OFFICERS IN PASSING BUT WITH EMPHASIS ON ITS GREAT SENSITIVITY. SCOTT SAID AMIN AL-HASSAN, HEAD OF IRAQI INTERESTS SECTION IN WASHINGTON, HAD TOLD HIM NOT TOO LONG AGO THAT IRAQ FORECASTS DIFFICULTY IN MARKETING UP TO 15 PERCENT OF ITS ANNUAL PRODUCTION CAPACITY OF OIL--GIVEN CURRENT DEPRESSED STATE OF WORLD ECONOMY. ASKED SCOTT IF HE WAS WILLING USE HIS PERSONAL ACQUAINTANCE WITH NUMEROUS HEADS OF U.S. UTILITIES AND POWER-GENERATING FIRMS TO HELP IRAQ GREATLY ENLARGE ITS EXPORTS TO U.S.

4. GIVEN VAST IMBALANCE IN OUR FAVOR IN U.S. - IRAQI TRADE, IT IS PROBABLY IN OUR INTEREST, OTHER THINGS BEING EQUAL, TO MAKE A CORDIAL GESTURE OF SUPPORT FOR IRAQ'S DESIRE TO MARKET MORE OIL IN US. HARD TO SEE WHAT CONCRETE ASSISTANCE USG COULD RENDER BEYOND MAKING IT CLEAR TO U.S. BUYERS THAT WE HAD NO OBJECTION TO THE PURCHASES. BUT, AS IS CASE WITH PALESTINIAN ISSUE, TONE OF OUR APPROACH TO GOI IS PROBABLY AS IMPORTANT AS SUBSTANCE OF THE RELATIONSHIP IN THIS AREA.

5. IN REGARD TO OPEC AND ITS ARTIFICIALLY HIGH OIL PRICES, FONMINISTER HAMMADI, IN FORTHCOMING TALKS, WOULD CERTAINLY WELCOME CLEAR STATEMENT OF CURRENT US POSITION. GOI IS CLEARLY LESS UPTIGHT ON OIL ISSUE THAN ON PALESTINE ISSUE AND HAS SEEN HOW RECESSIONARY ECONOMIES AMONG THE MORE ADVANCED NATIONS CAN IMPACT NEGATIVELY ON IRAQ. MOST OBVIOUS EXAMPLE IS IN CURRENT DEVELOPMENT BUDGET WHICH IS MUCH LESS AMBITIOUS THAN GOI HAD HOPED WOULD BE POSSIBLE ON BASIS OF REVENUE PROJECTIONS MADE ONE YEAR AGO. KILLOUGH

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